

Message Text

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70-62

ORIGIN ARA-08

INFO OCT-01 SS-14 ISO-00 SSO-00 RSC-01 L-01 SAB-01 /026 R

DRAFTED BY ARA/PAN:HLSTEIN:ZC

APPROVED BY ARA/PAN:PFMORRIS

L/ARA:MGKOZAK (INFO)

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FM SECSTATE WASHDC

TO AMEMBASSY PANAMA IMMEDIATE

GOV PAN CANAL IMMEDIATE

USCINCSO IMMEDIATE

C O N F I D E N T I A L STATE 273023

LIMDIS

E.O. 11652: GDS

TAGS:PFOR, PN

SUBJECT: PANAMA CANAL TREATY NEGOTIATIONS: COMPENSATION
THRESHOLD AGREEMENT DRAFT

FOR RICHARD WYROUG; SENIOR U.S. TREATY AFFAIRS ADVISER

FOLLOWING IS TEXT OF OPERATIVE PARAGRAPHS OF DRAFT THRESHOLD
AGREEMENT ON COMPENSATION BASED UPON POSITION PAPER AGREED
AT SUPPORT GROUP MEETING AM DECEMBER 11.

A. THE REPUBLIC OF PANAMA WILL RECEIVE AN ANNUAL
SUM FOR THE LIFE OF THE TREATY. THE AMOUNT OF THE ANNUITY
WILL BE DETERMINED ON THE BASIS OF U.S. \$0.35 PER PANAMA
CANAL TON TRANSITING THE CANAL PER YEAR. IN THE EVENT
THERE IS A CHANGE IN THE MEASUREMENT RULES FROM PANAMA
CANAL NET TON TO ANOTHER, E.G. UNIVERSAL MEASUREMENT
SYSTEM GROSS TONNAGE, AN APPROPRIATE ADJUSTMENT WOULD
BE MADE IN THE AMOUNT PAID PER TON TO ACHIEVE THE SAME
LEVEL OF COMPENSATION. THE ANNUITY WILL BE MEASURED
BEGINNING WITH THE DAY IN WHICH THE NEW TREATY ENTERS
INTO FORCE.

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B. A FUND WILL BE CREATED TO ASSIST PANAMA IN THE TRANSFER OF JURISDICTION, ASSIMILATION, RESTRUCTURING AND RELOCATION OF FACILITIES AND LANDS CURRENTLY WITHIN THE

CANAL ZONE. THE FUND WILL BE MAINTAINED FOR A PERIOD BEGINNING WITH THE ENTRY INTO FORCE OF THE TREATY AND NOT TO EXCEED THREE YEARS.

C. A MILITARY ASSISTANCE FUND WILL BE CREATED TO PROVIDE FINANCING FOR THE MILITARY MATERIEL AND TRAINING REQUIRED BY THE ARMED FORCES OF PANAMA TO PERMIT IT ADEQUATELY TO CARRY OUT ITS ROLE IN THE DEFENSE OF THE CANAL. THE FUND WILL BE ESTABLISHED INITIALLY AT ONE MILLION DOLLARS AND WILL BE SUBJECT TO PERIODIC REVIEW BY THE GOVERNMENTS OF THE U.S. AND PANAMA.

D. IN THE EVENT THE CANAL IS CLOSED OR ITS CAPACITY TO ACCOMMODATE THE TRANSIT OF VESSELS IS IMPAIRED FOR MORE THAN 60 CONSECUTIVE DAYS FOR ANY REASON OUTSIDE THE CONTROL OF THE GOVERNMENT OF THE REPUBLIC OF PANAMA, PANAMA WILL RECEIVE 3 MILLION DOLLARS FOR THE QUARTER IN WHICH SUCH A CLOSING OR IMPAIRMENT OCCURS, PLUS 3 MILLION DOLLARS FOR EACH OF THE NEXT SEVEN SUCCEEDING QUARTERS IN WHICH THAT CONDITION PERSISTS, UNLESS BY VIRTUE OF RESUMPTION OF TRAFFIC THE PAYMENT TO WHICH PANAMA WOULD BE ENTITLED BY THE TERMS OF PARAGRAPH A ABOVE IS GREATER.

E. IN THE EVENT THE CANAL IS CLOSED OR ITS CAPACITY TO ACCOMMODATE THE TRANSIT OF VESSELS IS IMPAIRED, PANAMA WILL SHARE IN THE COSTS OF REOPENING THE CANAL. PANAMA'S SHARE OF THE EXPENSE WILL COME FROM FUTURE ANNUITY PAYMENTS IN ACCORDANCE WITH A FORMULA TO BE AGREED UPON IN THE TREATY.

F. THE NET REVENUES WHICH PANAMA WILL OBTAIN BY VIRTUE OF ITS OPERATION OF FACILITIES AND ACTIVITIES TO BE TRANSFERRED FROM U.S. GOVERNMENT CONTROL WILL BE CONSIDERED AS A PORTION OF THE TOTAL COMPENSATION TO PANAMA.

PRECEDING IS FOR USE AND INFORMATION OF SUPPORT GROUP AND
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HAS NOT BEEN CLEARED OUTSIDE OF ARA/PAN. INGERSOLL

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, COMPENSATION, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 DEC 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE273023
Document Source: CORE
Document Unique ID: 00
Drafter: HLSTEIN:ZC
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740361-0754
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741239/aaaabhdz.tel
Line Count: 108
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 19 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 SEP 2002 by rowelle0>; APPROVED <18 MAR 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ANAMA CANAL TREATY NEGOTIATIONS: COMPENSATION THRESHOLD AGREEMENT DRAFT
TAGS: PFOR, PN, US
To: PANAMA USCINCSO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005